
State Water Resources Control Board

MAY 06 2014

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This letter outlines for your consideration key assumptions being made by State Water Resources Control Board (State Water Board) staff in the impact analysis supporting the upcoming revised *Draft Substitute Environmental Document in Support of Potential Changes to the Water Quality Control Plan for the Bay-Delta: San Joaquin River Flows and Southern Delta Water Quality* (Phase 1 SED), which is being prepared under the California Environmental Quality Act (CEQA) and other laws. These assumptions will be used in the Phase 1 SED to evaluate impacts to the City and County of San Francisco (CCSF) resulting from the proposed Tuolumne River flow alternatives. For purposes of the Phase 1 SED analysis, State Water Board staff will make certain assumptions regarding CCSF's potential actions and operations in light of its responsibilities under the 4th Agreement with Modesto Irrigation District and Turlock Irrigation District (Districts) and the Raker Act.

One key assumption relates to the manner in which CCSF can satisfy its 4th Agreement and Raker Act responsibilities once CCSF storage credits in the Don Pedro reservoir are reduced to zero, as can happen in a severe and prolonged drought. In the San Francisco Public Utilities Commission (SFPUC) analyses to date¹, it was assumed such responsibility would be met by reducing water supplied to the SFPUC service area from the Hetch Hetchy Regional Water System. For purposes of the Phase 1 SED analysis, however, State Water Board staff believes it is reasonable to evaluate CCSF's purchase of the required water from the Districts. The Phase 1 SED, therefore, will evaluate economic impacts by assuming a purchase price for this water from the Districts and then estimate the corresponding increase in water rates in the SFPUC service area and the associated indirect and induced impacts in the regional economy. The corresponding fiscal benefit to the Districts of these water sales will also be evaluated.

¹ Submitted as part of comments by the SFPUC on the first draft Phase 1 SED in March 2013, and in the SFPUC draft report entitled *Socioeconomic Impacts of Water Shortages within the Hetch Hetchy Regional Water System Service Area*, dated March 13, 2014, as submitted to the Federal Energy Regulatory Commission for the Don Pedro project relicensing process (FERC No. 2299).

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Other key assumptions relate to the degree of CCSF's responsibility to contribute to water release conditions required by the Federal Energy Regulatory Commission under Article 8(b) of the 4th Agreement. The economic and other analyses supporting the Phase 1 SED will be performed using two different assumptions in order to bracket a range of possible scenarios under Article 8. One assumption is that CCSF's responsibility to contribute stored water will continue even after there are no longer any CCSF storage credits in the Don Pedro reservoir. Another assumption is that CCSF has no responsibility to contribute water under Article 8 as long as there are no CCSF storage credits in the Don Pedro reservoir, during which time CCSF is only responsible for complying with the District's Raker Act entitlements.

Again, the above assumptions are being made only for the purposes of performing economic and other analyses in preparation of the Phase 1 SED. We understand that these assumptions may differ from those used in SFPUC analyses to date. A detailed presentation of the assumptions, including their bases, and the corresponding economic and other analyses will be presented in the next draft of the Phase 1 SED, which is due to be released later this year.

If you have any questions or input in the meantime, please contact Mark Gowdy at mark.gowdy@waterboards.ca.gov or 916-341-5432. Written correspondence should be addressed as follows:

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Sincerely,



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